

DCMC CAO COMMANDERS
FAST START KIT
FOR
STRATEGIC SUPPLIER ALLIANCES

January 2000

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EXECUTIVE SUMMARY:

This kit is designed to inform CAO Commanders, their staff, and other appropriate stakeholders of the recently developing concept of forming Strategic Supplier Alliances with a number of our contractors. Integral to the DCMC concept of operations are the following:

- 1) The alliances will be sponsored, established, and /or managed through our Management Councils.
- 2) Although we are beginning with pilot alliances, we are open to forming alliances with virtually any contractor who is interested in doing so.
- 3) Alliances will be individualized based upon the performance and goals of the individual contractor and its customers.

A Strategic Supplier Alliance is an agreement outside of a contractual document. What makes the agreement “strategic” is we will aim to approach areas of common strategic importance to contractors, customers, and DCMC. It is anticipated many contractors will be interested and see this as an opportunity.

We envision the addition of Strategic Supplier Alliances will result in changes in the way of doing business at individual CAOs. It is further anticipated that there could be some confusion with this new concept over the next few months. Please use the resources and the points of contact to get issues surfaced quickly and resolved intelligently.

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BASIC THINGS TO KNOW:

- Have researched the Strategic Supplier Alliance concept for several months
 - Found that much of commercial industry including many DoD suppliers use alliances with a goal of increasing the value and decreasing the price of doing business
- DoD is interested in because of opportunity to impact the relationship beyond individual transactional contracts
- Formation of Strategic Supplier Alliances across corporations could provide broad impact on civil military integration
 - Nature of alliance deals with concept of focusing on areas of strategic importance to the Department of Defense: for example, Total Ownership Cost and Integrated Digital Environment
- Plan is to use existing infrastructure (Corporate Councils and local Management Councils) to deploy alliances
- Structure of an alliance will generally include technical, financial, and management elements. An alliance agreement may take different forms *etc*
 - It may be the consolidation of a number of existing MOUs the company has with the Government.
 - It may consist of a number of specific goals and objectives the Management Council agrees to pursue for a specific period of time; or,
 - It may be a separate agreement as agreed to by the Management Council/ *etc*
- SPI Executive Council endorsed the identification and development of five pilot alliances
 - AlliedSignal – Focus on Quality Assurance - Supports MRM #10
 - Stakeholders- Members of Joint Corporate Council
 - Rapid Improvement Team methodology- First meeting December 15- 17, 1999 at DSMC
 - Approach, rapid implementation plan, and scorecard established
 - Goodyear- Focus on Delivery Surveillance and Payment
 - District East visited *in* late October 1999 *lower case*
 - Formally established Management Council at Goodyear- Key stakeholders include TACOM and DFAS
 - Goodyear developing a “future contracting” proposal for consideration- *may* ~~Make~~ emulate a process used with Wal-Mart – Presenting to Management Council in February 2000

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- Rockwell-Collins – Focus on Benefits from Lean Electronics Initiatives
 - Management Council meeting in January 2000 and will discuss establishment of Strategic Alliance for Commercial Item Determinations
 - Replaces prior agreement signed by DACO on behalf of Management Council
 - Rockwell Management Council wants to facilitate movement to performance based contracts and maximum use of commercial technology
- Raytheon Company- Focus on Parts Control
 - Corporate Customer Council endorsed at its September 1999 meeting- Some realignment in works due to Company restructuring
 - District East visited DCMC Raytheon on November 10, 1999
 - Approach to focus on a few programs, looking at constraints and enablers of part configuration control- Talking with Navy Inventory Control Point managers
 - Strategic Alliance is on agenda of ^{with Dave} upcoming Corporate Council meeting
- Lockheed Martin Aeronautical Systems Business Area- Focus on Enterprise Resource Planning
 - Discussions centering on developing a standard template of Government roles and responsibilities when a supplier implements an ERP system

WHAT WE'RE ABOUT TO DO:

- Release One Book Policy – Expect this to evolve as we learn more,
- Releasing “Fast Start” materials to aid in deployment of Strategic Supplier Alliance concept.
- Identifying next contractors to participate in areas developed by pilots.
- Initiate an informal “News Note” to facilitate communications among those involved in alliance development.

WHAT DCMC DISTRICTS SHOULD BE DOING:

- Provide primary support as requested to Commanders and CAO personnel.
- Act as coaches to CAO personnel on subject of Strategic Supplier Alliances.
- Provide periodic reports to SPI Center, Strategic Supplier Alliance Facilitator, on the status of alliance formation and deployment via e-mail.
- Assist SPI Center, Strategic Supplier Alliance Facilitator, in development of selection criteria and other information for One Book Guidance.
- Analyze performance of alliances.
- Once pilot Strategic Supplier Alliances is established and deemed successful, develop approach to marketing/exporting to other Management Councils.
- Conduct Road Shows to explain alliance strategy to workforce.
- Share successes with other Commanders, CAOs via briefings. Write articles for SPI Quarterly Report.

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WHAT COMMANDERS SHOULD BE DOING OR ASKING THEIR FOLKS TO DO:

- Become knowledgeable of concept and potential applications.
- Keep in touch with District Alliance points of contact
- Brief targeted contractors and Management Councils on strategic alliance utility,
- Report contacts and progress to District points of contact
- Actively solicit good ideas – bring up concept at Management Councils

RESOURCES:

Points of Contact

Process Owner	Barbara Foss Fischer	703-767-1345
DCMC-OA	Scott Clemons	703-767-8128
DCMC-OB	Pete Angiola	703-767-7504
DCMC-OC	Dave James	703-767-242 1
<u>District Process Champions</u>		
DCMDE	Chuck Hurley	617-753-4223
DCMDW	Randy Feit	3 1 o-900-6522
	Dwight Hill	3 1 o-900-6583
DCMDI	Becci Murtha	703-767-2014

2) Relevant World Wide Web Sites:

www.smartalliances.com

Site managed by BoozAllen; references Smart Alliance and other top selling books; articles; other alliance links

www.allianceanalyst.com

periodical- for existing subscribers - not taking new ones. However, can scroll down & read articles in archives for non-subscribers.

www.atp.nist.gov/welcome

Government site of National Institute of Standards and Technology. Geared toward their ATP & R&D alliances but with good background information & references on alliances. Good sheet on Alliances- Friendly Best Practices

www.acq-ref.navy.mil

Dept of Navy Industry-Government Partnering Guide; well put together guide.

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Where DCMC is Going:

Through the use of Management Councils and Process Oriented Contract Administration Services (PROCAS), DCMC has already been on the path from intrusive oversight to joint Government and contractor insight. We believe Strategic Supplier Alliances are the next logical step along this path toward civil military integration.

This Strategic Supplier Alliance Fast Start Kit is the CAO Commanders introduction to this evolving concept. This kit will assist you and your staff to ~~prepare~~ ^{prepare} for upcoming policy and guidance changes and will make the transition for Government and industry much easier.

How DCMC is Deploying:

1) INTRODUCTION OF CONCEPT:

The CAO shall introduce and build acceptance of the Strategic Supplier Alliance concept to their Management Council(s). The sample briefing provided with this kit may be utilized for this purpose. The CAO Commander shall designate an Alliance POC within the CAO.

2) IDENTIFICATION OF STRATEGIC GOALS:

CAOs will lead brainstorming or other sessions to arrive at key strategic ~~area~~ ^{areas} goals as areas for an alliance agreement.

Brainstorming Sessions- Basically, the central item is expressed and written down on a flipchart or board for all to see. In turn, each Management Council member gives an idea or approach that is then added to the visible list. Individuals may pass but ideas continue to be added until all are finished. No discussions or criticisms are permitted during this period. Then, the list is reviewed, grouped or combined where applicable. This list is then used for further review and analysis to select the common strategic items for consideration.

Strategic Goals

To make alliances work for DCMC, we should examine our mission, our strategic goals, our current performance, and the statutory/regulatory requirements that cover our mission. We (DCMC) need to have a clear understanding of our organization's long and short term strategic goals, and our performance versus those goals, in order to determine the specific strategic alliance arrangements that will be in our, and our customer's, best interests. Generally, and strategically speaking, DCMC should focus on forming alliances with other stakeholder and supplier organizations (contractor, buying activity, DCAA, DFAS, etc.) that will help improve our contract administration performance in those areas which are most costly or where our efforts provide the least value added to the customer.

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The following are some specific areas of our mission that could be considered for an alliance. This list is not all-inclusive, an alliance may be considered in any number of areas not listed here.

1. In-process and final source inspection/acceptance - reduction/elimination of DCMC in-process and final inspection in exchange for contractor commitment to achieve specific quality performance goals and/or acceptance of liability.
2. Systems Reviews - reduction/elimination of various contractor systems reviews in exchange for contractor commitment to achieve specific systems performance goals and/or acceptance of liability.
3. Fixed Price Contracts - reduction/elimination of DCMC oversight in exchange for contractor commitment to achieve specific cost reduction and quality improvement goals.
4. Delivery Surveillance Reporting - reduction/elimination of DCMC delivery surveillance reporting after confidence in contractor status reporting is established.
5. Technical Surveillance - reduction/elimination of DCMC surveillance during production phase, focus DCMC technical surveillance on design & development, cost-type contract efforts. Reduction/elimination of DCMC review of class II engineering changes and minor nonconformances in exchange for contractor commitment to achieve specific performance goals, provide DCMC access to on-line contractor data, and/or acceptance of liability.
6. Risk Management - DCMC, DCAA, buying activity and contractor perform joint risk assessments, agree on appropriate surveillance methods/frequencies, and coordinate on risk handling plans.
7. Specifications & Standards - establish goals and action plan for converting military requirements to commercial requirements for manufacturing and business processes.
8. Paperless Contracting/Integrated Digital Environment/Enterprise Resource Planning - establish goals and action plan for converting manual data systems to automated systems.
9. Contracting Officer Delegations - contract administration functions listed in FAR 42.302 that are typically not delegated by the contracting officer can be reviewed to determine if DCMC is capable of performing those functions. Buying activity could agree to future delegations in exchange for DCMC commitment to achieve specific cost and performance goals.
10. Creative Training/Learning Techniques - DCMC, DCAA, buying activity, and contractor personnel in similar job functions could, on a voluntary basis, perform 30/60/90 day rotational assignments to develop an understanding of each other's role.

3) DEVELOPMENT OF ALLIANCE DOCUMENT:

- a. The Management Council members may develop the alliance or separately sanction an Integrated Project Team (IPT) or Rapid Improvement Team (RIT). For more information on IPTs, see the PROCAS chapter of the One Book. To introduce you to the concept of a RIT, the following information is provided.

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Rapid Improvement Team (RIT)

This is an approach embraced by DUSD(AT&L) to accelerate the rapid implementation and execution of defense reform initiatives. Uses a customer focused Integrated Process Team to identify key reform issues, defines and set performance improvement targets, develop and implement performance improvement plans, provide oversight of progress, and use results to drive desired change.

To facilitate and coordinate the DoD RIT process, a Change Management Center (CMC) has been established within the Office of Deputy Under Secretary of Defense (Acquisition Reform) (DUSD (AR)). This office schedules and coordinates RITs and provides the facilitators. To propose the use of the RIT process for a particular strategic area, the CAO should provide the following information to the District Alliance POC: the strategic area, the company piloting the alliance approach, a list of the stakeholders (typically drawn from the Management Council), expected degree of applicability of alliance area to other companies (i.e., how exportable the framework of the alliance might potentially be). More information on RITs is being developed by the Change Management Center.

b. Develop alliance document.

Industry has often asked regarding commercial alliances whether the alliance should be defined in writing. Most consulting firms and companies involved in alliances agree that the relationship should be put in writing, but in as few as words as possible. According to various consulting groups, alliances that require lengthy written legal language are being set up for failure before they commence. Examples exist of very successful alliances that involved only a handshake by the two owners. As a minimum, the following information is recommended to be included in a written alliance description:

The goal(s) of the alliance

The different responsibilities of each organization

The different contributions required of each organization

The direct and indirect costs to participate in the alliance

How the two organizations will communicate with one another

Interim goals/targets that need to be achieved and which can be used as measures of success

Limits/constraints of the arrangement

When the alliance begins and is evaluated for continuance, perhaps annually

c. Sign alliance. After all affected parties have agreed, the cognizant CAO Commander (or Lead Commander for Corporate Councils) signs the alliance agreement for DCMC.

4) EXECUTION OF ALLIANCE PROVISIONS:

a. If disagreements between the parties occur, the CAO should notify the buying command(s) and coordinate with the Management Council to resolve the conflict, making adjustments to the document, as necessary.

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- b. Strategic Supplier Alliance success stories should be publicized so others may benefit.

TRAINING:

The first step is to define the basic terms and possibilities through the use of the Fact Sheet and sample briefings.

The second step in the training/awareness process is this kit. Dissemination of this kit to the CAO staff is intended to increase awareness of upcoming DCMC responsibilities.

The third step will require Headquarters and District staff to keep the field informed of changes. If feedback determines this to be desirable, a series of roadshows will be scheduled for headquarters to conduct a one-day presentation on policy and available tools. CAO Commanders and Alliance points of contact would be targeted for these presentations.

PERIODIC DATA REPORTING/COLLECTION:

Upon agreement by the Management Council to pursue a Strategic Supplier Alliance, the CAO Alliance POC will commence monthly status reporting in accordance with guidance provided by the District Alliance Process Champion. The Districts will submit a consolidated report to the Headquarters process owner.

For Each Contractor reporting will include the following:

CAO

Contractor Name/Address

Other Management Council Members

Briefings/Discussions Regarding Alliance Concept

Description/Focus of Alliance

Alliance Objectives

Date Formed- Period of Agreement

Status of Implementation

Issues/Barriers

Description of Significant Process Changes Made

Any Measurable Progress/Value of Business Relationship